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ABSTRACT

The purpose of this report is to identify changes in the radio environment, especially those which affect public radio's ability to compete. In Boston and other markets around the country, most formats have subdivided into targeted niches. The effect has been to even out station shares, so that rather than trying to reach mass audiences, commercial stations are now striving for efficient composition in a defined target. In short, the strategies of commercial radio are becoming more like public radio. As measured by overall time spent listening (TSL), radio is still strong. Decreases in TSL for certain formats, such as Hispanic, country, adult contemporary, religion, album-oriented rock, and oldies has been explained as being the result of the splitting of formats and the more equal distribution of share points among more stations. Two commercial formats which have not lost TSL are of special interest to public radio--classical and jazz. In 1996, the oldest "Boomers" will turn 50, the leading edge of a cohort that includes most National Public Radio news listeners. Several of the new commercial formats are designed for the same demographic target. Evidence shows that in general, Boomers will have a growing appreciation for news and talk stations. Public radio programmers should note that full service is a dying format, smooth jazz is up and coming, and classical has not grown as the population has aged. Predictions of future trends include continued strong use of radio; finer targeting of niche formats; lower TSL per format; and further consolidation of commercial ownership. (Contains 7 graphs and 3 tables.) (AEF)

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Radio's Changing Environment

by George Bailey

In the timbers of Fennario, the wolves are running 'round.
The winter was so hard and cold, froze ten feet 'neath the ground.
— Jerry Garcia and Robert Hunter

For twenty years James Duncan has provided a valuable service to the radio industry by publication of *Duncan's American Radio.* The project started in his office at Gilmore Advertising in Kalamazoo, Michigan. A radio enthusiast, his idea was to gather all of the local market ARB reports and compile one master book with stations identified by format, including trends, rankers and advertising rates. This was before ARB became Arbitron, when four-week reports came out twice a year, back when AM radio still captured the majority of radio listening.

This was also before the microcomputer. With the April/May 1976 ARBs on his desk, it took James Duncan about 45 days to do the calculations by hand. Then six weeks of typing by his secretary. But the value of the work was apparent, and his service is thriving today.

I lead with that history because it reminds us of change. Public radio must compete in a radio environment that is constantly changing. FM beautiful music, a format which captured 18 percent of radio listening in 1976, is virtually extinct. AM talk radio after Rush is not like the talk radio of twenty years ago. And in the '90s a new format aimed at upscale Boomers, smooth jazz, is taking audience away from public radio stations.

The danger is that we may not notice these environmental changes. They occur on the order of a few degrees each year. But the results can be dramatic:

- Over the last ten years the AOR (album-oriented rock) format increased its listening audience 50 percent by adapting into format niches like classic rock, adult alternative and new rock.

- In the same period the CHR (contemporary hit radio or top 40) format lost over 40 percent of its audience because of the Baby Bust—a shortage of young people—as well as the rise of ethnically targeted urban stations.

- Although the population is aging and AM radio is struggling, commercial news/talk stations have increased share by 50 percent AND lowered the median age of their listening audience.

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The purpose of this report is to call attention to changes in the radio environment, especially those which affect public radio's ability to compete. Let's start by looking at one large market, Boston.

Boston

The table shows Duncan's ranking of the top fifteen commercial stations by average quarter hour share, comparing fall 1976 to fall 1994.

Fall 1976			Fall 1994		
AM	9.9	MOR	AM	8.0	News
AM	9.8	MOR/Talk	AM	7.5	Talk
AM	9.6	News	FM	6.0	CHR
FM	9.3	Beautiful Music	FM	5.5	CHR
AM	8.8	Rock	FM	5.4	AOR
FM	5.8	Contemporary	FM	4.7	Oldies
FM	5.0	Rock	FM	4.6	AC
FM	3.5	AOR	FM	4.2	AC
FM	3.1	Oldies	FM	4.2	Cl-AOR
FM	2.6	Beautiful Music	FM	3.5	Classical
FM	2.6	Beautiful Music	FM	3.4	Soft AC
AM	2.5	MOR	AM	3.3	Sport
AM	1.9	Talk	FM	2.9	AOR
FM	1.9	Contemporary	FM	2.8	Progressive
FM	1.6	Rock	AM	2.5	Standards

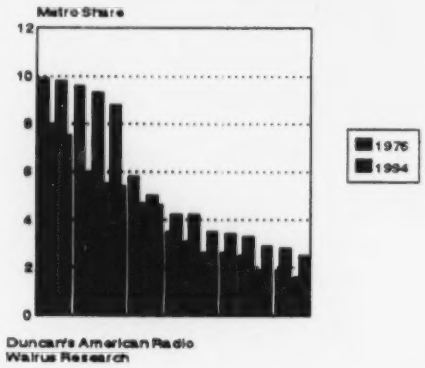
Boston is by no means typical. It's a literate and mostly non-ethnic market as evidenced by the absence of country and Black stations. Public radio does well in such markets. Our concern here is how the format competition has changed.

In 1976 there were three beautiful music stations taking nearly 15 percent of the audience. Only one station survived by mutating into Soft AC (adult contemporary). The commercial classical station may have inherited some of the beautiful music audience.

The MOR (middle of the road, full service) music format, which had dominated the market, withered away to one station playing standards. Now the leading AM stations broadcast news and talk aimed at mature Boomers.

Yet the most fundamental change is best revealed by graphing the distribution of shares.

Distribution of Audience Shares
Boston -- 1976 vs 1994



In 1976 the five leading stations captured nearly 50 percent of listening. After that the distribution dropped off, so that most Boston stations earned shares below 3 or 2 percent. By 1994 the distribution had flattened. It took nine leading stations to account for half the listening, and shares in the 3 range were common.

In Boston and other markets around the country, most formats have subdivided into targeted niches. The effect has been to even out station shares. So rather than trying to reach mass audiences, commercial stations strive for efficient composition in a defined target.

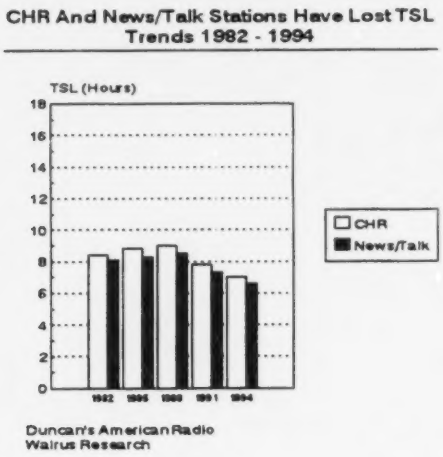
In short, the strategies of commercial radio are looking more like public radio.

Time Spent Listening

As measured by overall time spent listening, radio is still strong. There has been no loss of TSL to radio. We all want public radio listeners to use more public radio, but in the 1990s most commercial stations and formats are losing TSL.

Take a look at two formats which use hot rotation to achieve high cumes, CHR and news/talk.

In 1988 Duncan calculated the average TSL for CHR stations across the country as 9 hours per week. In the 1990s it has dropped each year to 7 hours.



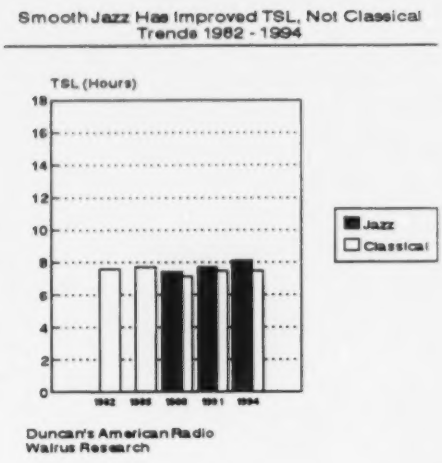
News/talk stations have followed the same pattern.

Duncan has also found TSL dropping for Hispanic, country, adult contemporary, religion, AOR and oldies formats. His explanation is the splitting of formats and the more equal distribution of share points among more stations.

For example, we now have classic country (usually on AM) as well as young country. The oldies format has split into '50/'60s vs '70s (the Arrow format).

Two commercial formats which have not lost TSL are of special interest to public radio—classical and jazz.

The TSL to classical stations has held around 7.5 hours per week. Keep in mind how low that really is. Black, Hispanic and country stations still get about 10 hours of listening per week. Classical has the lowest TSL except for CHR and news/talk.



After a false start in the 1980s with new age music, the smooth jazz format has built TSL in recent years. Plenty of *Morning Edition* listeners switch over to smooth jazz during the midday at work.

25-54 Composition

In 1996 the oldest Boomers will turn 50, the leading edge of a cohort that includes most NPR news listeners. Several of the new commercial formats are designed for the same demographic target.

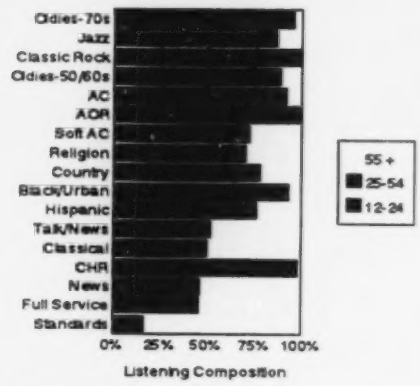
Based on Duncan's data, we prepared a graph which ranks formats by their 25-54 composition.

Nearly all of the audience for the Oldies/'70s or Arrow format consists of 25-54 year olds. The same is true for smooth jazz as well as classic rock. In contrast, half of the commercial classical audience is over age 54.

Will the Boomers mature into an appreciation for classical music? The evidence is contrary.

The graph shows that commercial classical stations have lost 25-54 composition from the '80s to the '90s. The preference for classical

Ranked By 25-54 Composition, The Leading Formats
Oldies, Jazz, Classic Rock, Adult Contemporary

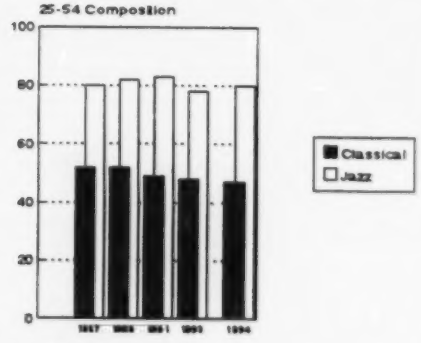


Duncan's American Radio 1994
Walrus Research

music, at least as presented on commercial radio, may be largely generational.

Will the Boomers mature into an appreciation for news ? The evidence looks promising.

The Classical Format Is Losing 25-54 Composition
Trends 1987 - 1994



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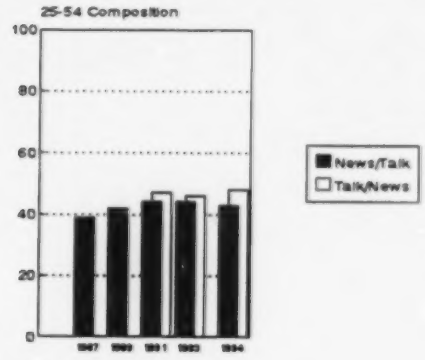
News and talk stations used to attract a retirement-age audience. Limited to the AM dial, the format was getting awfully tired in the early 1980s. Then two things happened:

> Boomers with kids and mortgages got interested in government, money and politics.
>
> Rush Limbaugh applied a rock and roll sensibility to AM radio.

In The 90s, Talk And News Stations Targted 25-54
Trends 1987 - 1994

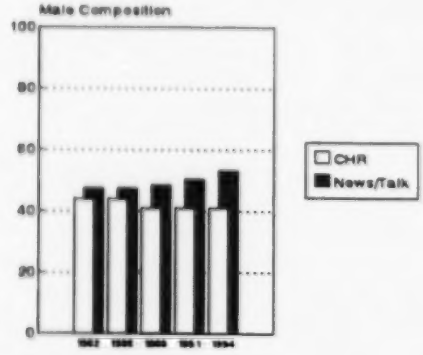


Duncan's American Radio
Walrus Research

Duncan shows two formats for news and talk. The news/talk emphasizes news and the talk/news emphasizes talk in the above graph. In any event, the AM news and talk audience has gotten younger in the '90s, so that nearly half of talk radio listeners are under 55. It's also true that the audience has skewed male.

The male skew of news/talk radio is just more evidence of niche targeting. (CHR has skewed more female.) And these demographic variables are only indicators of deeper psychographic dimensions of targeting. Road warriors with car phones have replaced the lonely old ladies who used to call in to talk radio. The same guys dominate the traffic on Compuserve.

In The 90s, News Stations Have Skewed Male
Trends 1982 - 1994



Duncan's American Radio
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Evolution And Extinction

Finally we prepared a table based on Duncan which shows format shares 1985-1994.

AOR has increased from 10.7 to 15.5 percent of the listening audience, while CHR has decreased from 17.7 to 10 percent.

Soft AC is up, providing relaxation for Boomers who could not stand beautiful music.

Public radio programmers should take special note:

- Full service is a dying format.
- Smooth jazz is up and coming.
- Classical has not grown as the population has aged.

In the near future we can expect only finer targeting of niche formats, driven by the consolidation of commercial stations. For example, NPR station KJZZ in Phoenix lost much of its contemporary jazz audience when commercial KYOT "The Coyote" started playing essentially the same music format 24 hours.

AOR And News Have Increased Share, Not Classical
Format Share Trends 1985 - 1994

	Spring 85	Spring 90	Spring 94
AOR/Classic	10.7	13.5	15.5
Country	11.2	11	13.8
News/Talk	8.8	9.9	12.6
Soft AC	6.8	6.2	10.1
CHR	17.7	15	10
Black/Urban	8.5	9	8.4
Hispanic	2.3	3.4	4.3
Full Service	7	4.4	3.6
Standards	4	3.3	3.5
Jazz		1.6	1.9
Religion	2	2.1	1.8
Classical	1.4	1.6	1.5

Duncan's American Radio
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A few years ago it would have been impossible for KYOT to make money as a stand-alone station doing jazz. But commercial stations are consolidating ownership. KYOT is co-owned with an adult alternative FM, a

1995 will be marked as the first year of small dish digital satellite video and audio.

The DSS satellite direct system, in addition to 26 movie channels, 21 sports channels and 12 news and information channel on video offers 29 digital audio channels:

Hit List	Dance	Hip Hop	Urban Beat
Reggae	Blues	Jazz	Jazz Plus
Contemporary Jazz	New Age	Eclectic Rock	Modern Rock
Classic Rock	Rock Plus	Metal	Solid Gold Oldies
Soft Rock	Love Songs	Progressive Country	Contemporary Country
Country Gold	Big Bands/Nostalgia	Easy Listening	Classical Favorites
Sounds of the Season	Classics in Concert	Contemporary Christian	Gospel
For Kids Only			

That's 29 niche channels with all the TSL going to *a single owner.*

The implications for public radio should be obvious. Not only should we narrow the targeting on each channel, but all of the public radio channels in a given market should be consolidated into one business to maximize listener service, membership contributions and underwriting development.

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standards/nostalgia AM and a Black AM. That's one owner with four niche formats.

Looking to the future, we can only predict a)continued strong use of radio, b) finer targeting of niche formats, c) lower TSL per format, and d) further consolidation of commercial ownership. The result would be greater "TSL per owner" as listening is summed across several consolidated channels.

Note:
All of the audience data in this report are taken with permission from Duncan's *American Radio.* His original source was Arbitron Ratings. Jim Duncan may be contacted at 708-577-4660 (or Box 90284, Indianapolis, 46290). George Bailey is responsible for the interpretive comments.

George Bailey, Ph.D., is president of Walrus Research in Greenbush, Wisconsin.

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